

**The
Great Problem
of the
Public Service
Corporation**

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The Great Problem of the Public Service Corporation

THERE is no other line of industry requiring the continual increase of capital investment demanded by the enterprises broadly embraced under the term "public service corporations," embracing electric light and power, street railways, steam railways and their terminals, telephone companies and gas companies. The extent to which the vast and heretofore continually increasing commercial and manufacturing transactions of our great country is dependent upon the continued development and the able management of such corporations is not at all understood by the great mass of the voting public. A community which by accident, design, or misfortune is poorly served by any of the so-called public service corporations is a community which neces-

sarily is behind-hand in its material development. A community suffering from faulty equipment or management of the public service corporations likewise endures a consequent loss of material advancement with attendant inconvenience and dissatisfaction.

The amount of new capital for purely conservative and necessary development and extensions of public service corporations annually reaches figures utterly beyond the comprehension of the average individual who is not personally cognizant of the operations and affairs of such companies and enterprises. The stability of their income under normal conditions and without unfair restrictions and interference is more pronounced, I believe, than in any other line of human enterprise.

It is a platitude to refer to the great part which the energetic and courageous and far sighted development of the public service corpor-

ations at the hands of the great leaders of those corporations has had in the past in the development of this country. No one questions the occurrence (from time to time) of mistakes, errors, hardships and frauds in the past on the parts of both parties to these enterprises, viz., the projectors and owners of the enterprises on the one hand, and the citizens, communities, governments and municipalities served on the other. The net result, however, has been a service on the part of all such corporations in the United States of America which has not its equal in the world.

In the period of the earlier development of such enterprises, great risks were incurred, huge sums were lost and huge sums of money or its equivalent in substantial income earning property have been achieved. Probably, viewing the past and considering both the failures and successes of such enterprises, the capital invested has received a smaller total profit on its total amount than in the average of

mercantile, commercial, manufacturing or trading enterprises. The business today, as regards the various physical elements entering into it, the machinery used, the motive power and the general development of the art is wholly beyond the experimental stage.

However, in nearly every direction opportunities still present themselves and there is a crying demand for further extension of service of such corporations. While, from the now somewhat extensive experience and history of the art it is less difficult than in the past to forecast the probable monetary outcome of such extensions, enlargements or new developments, there still exist many cases where the returns to be achieved are still more or less problematical and in some cases absolutely problematical as to the dates at which returns will be reached.

Up to a comparatively recent period the public service official was justified in extending the operations under

*Let companies as public utility
Public Service Corporation*

his charge on the general doctrine of averages—that if a given extension proved unprofitable for the time being or permanently, it would be compensated for by the greater profit to be reached from some other contemporaneous or subsequent or existing branch of or extension to the service. Under this condition of affairs enterprise was fostered, development went forward actuated by the hope of a reward beyond the ordinary fixed small return of the absolutely settled and non-hazardous enterprise.

Today throughout the country the unmistakable tendency is by Interstate Commerce Commissions, Public Utility Commissions, and by the law making and law administering bodies to hamper and curtail and paternalize the conduct of all these corporations to a point which is rapidly destroying the enterprise of the individual officers and employes of such corporations and putting a period to the further investment of capital for the extension and enlargement of such

enterprises. The result of this policy, if carried along the lines of its present extreme tendencies, will be to simply stop the further energetic development of these enterprises; to destroy the individual initiative of these corporations and this policy, if persisted in along the program of the political agitators of the present time, leads inevitably and logically to Federal and Municipal Ownership.

A great deal is said from time to time regarding the underlying common sense of the Anglo-Saxon race, particularly that branch of it living in the United States of America. In the abstract this is true. I believe that the general trend of civilization through its various vicissitudes is on the average and as judged by terms of years, continually upward.

The map of a steam railroad crossing the American continent, even if drawn on a very large scale, will show that railroad on a general uniform line; the facts being, however, that

the railway is full of curves and changes of direction which it is not possible to reproduce on any map which could be displayed in any ordinary room or office.

No one doubts the beneficent results that eventually followed the great Civil War of the United States. No one doubts the terrific loss of treasure, of human life, and no one, at least of the preceding generation, forgets the pain and anguish and bitterness of that struggle. The public service corporations in the past have made no greater errors of judgment or of management; they have made no greater departure from the correct rules of conduct than have the communities and individuals and governments concerned with such corporations. Whatever mistakes, hardships, errors or crimes were committed were in any fair analysis of the question, equally chargeable to both parties to the contract.

A new situation and new conditions are now confronting the public and

these corporations. It is a time for the underlying common sense of our people to take these questions out of the hands of the muck-raker and professional politician and to put them before the great tribunal of common sense and love of justice of the American people. Our country has reached a point of intelligence and development where it should recognize, and at some time will recognize, that these questions are of such deep and far reaching importance that they should be placed in the hands of entirely non-political tribunals, fair-minded, experienced and candid, and who will carefully weigh all the questions involved; with a proper attention to the economic questions involved and with a full realization of the obligations of common honesty resting upon all of us to each other, to the investor, to the wage earner, and to the communities concerned.

Unless this course is pursued, the present program leads inevitably to paternalism and Federal and Muni-

cipal ownership. It is unnecessary to point out the perils to our beloved country which would follow the placing in the hands of a political party or of the Government, of the enormous patronage resulting from Federal and Governmental ownership of this huge fabric of public service corporations. The public does not desire this; the investor does not desire it, and common sense abhors such a policy. The economic history of civilization teaches beyond the possibility of a doubt that the best results to the State and its citizens are reached by wise and prudent encouragement of individual enterprise and thrift, accomplished by allowing suitable rewards to follow successful enterprises.

The public service enterprises of the United States of America have been one of the greatest factors in the development of this country. There are vast sections of country which require the services of such companies; existing and already served communi-

ties require continual extensions to the operations of such corporations. All this requires many millions of dollars annually.

If the laws and various commissions dealing with these subjects approach them with a desire to encourage enterprise and not to throttle it; if rewards are allowed to follow the energetic development and the hazards of these corporations and if these laws and commissions recognize that their object is two-fold—first to protect the public and the State against selfishness, and equally on the other hand, to protect the capital and the brains and the enterprise of these corporations against unfair restrictions and the embarrassments of paternalism, these corporations can continue serving the public and under terms and conditions which will be far more satisfactory to them than the uncertainties and hazards of the past, and at the same time, due to the removal of these uncertainties and hazards, the public and the state will be served with even

a better service and under more favorable conditions of charge than in the past.

Very nearly the entire water power development industry in this country is held up at the present moment awaiting the settlement of the question of dealing with water power sites by the various governing bodies. It should not be a difficult matter, and it is not a difficult matter to formulate rules and regulations which, while amply safe-guarding the State and the citizens, will also enable these potential water powers to be turned to useful account in the development of the country and the conserving of the fuel supply.

During the entire history of public utility operation throughout the country, and notably during recent years, the charges for service have steadily decreased and the quality of service has been steadily improved—all despite marked advances in the cost of apparatus, materials, supplies and



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wages. It is obvious that this situation cannot be maintained indefinitely.

None of these questions will reach the conclusions earnestly prayed for herein until they are taken from the hands of the uninformed, the vicious, and the professional politicians and put in the hands of conservative, thoughtful and fair minded administrative bodies.